

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Franklin Regional Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: June 30, 2020

This Commission is hereby furnishing you with approval of the funding schedule the Board recently adopted (copy enclosed) which assumes payments are made on July 1 and January 1 each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a 7.75% investment return assumption (the same assumption as used in both the January 1, 2016 and January 1, 2018 actuarial valuations). There are 13 systems (including Franklin Regional) that currently use an assumption of 7.75% or higher. We have generally recommended an assumption of 7.25% or lower for our 2019 actuarial valuations and we will generally be recommending the same assumption as part of our 2020 actuarial valuations. For comparison, there are 89 systems that currently use an assumption of 7.50% or lower. Of these, 45 use an assumption of 7.25% or lower. The 7.75% assumption is outside the high end of our reasonable range.

The revised schedule also reflects an update to both the mortality assumption and the improvement projection scale.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Exhibit 3.1 - 30-Year Forecast of Annual Appropriations

| Fiscal Year Ending | Employer Normal Cost | Amortization Payment of UAL | Net 3(8)(c) Transfers | Total Employer Cost | Increase over Prior Year | Unfunded Actuarial Accrued Liability |
|--------------------------|-------------------------|--------------------------------|--------------------------|------------------------|--------------------------------|---|
| 2021 | \$2,531,510 | \$4,137,879 | \$725,800 | \$7,395,189 | | \$52,801,066 |
| 2022 | 2,584,508 | 4,235,905 | 1,000,000 | 7,820,413 | 5.75% | 52,676,595 |
| 2023 | 2,674,966 | 4,595,120 | 1,000,000 | 8,270,086 | 5.75% | 52,442,588 |
| 2024 | 2,768,590 | 4,977,026 | 1,000,000 | 8,745,616 | 5.75% | 51,824,399 |
| 2025 | 2,865,490 | 5,382,999 | 1,000,000 | 9,248,489 | 5.75% | 50,769,133 |
| 2026 | 2,965,783 | 5,814,494 | 1,000,000 | 9,780,277 | 5.75% | 49,218,392 |
| 2027 | 3,069,586 | 6,273,057 | 1,000,000 | 10,342,643 | 5.75% | 47,107,770 |
| 2028 | 3,177,021 | 6,760,324 | 1,000,000 | 10,937,345 | 5.75% | 44,366,292 |
| 2029 | 3,288,217 | 7,278,025 | 1,000,000 | 11,566,242 | 5.75% | 40,915,818 |
| 2030 | 3,403,305 | 7,827,996 | 1,000,000 | 12,231,301 | 5.75% | 36,670,388 |
| 2031 | 3,522,420 | 8,412,181 | 1,000,000 | 12,934,601 | 5.75% | 31,535,509 |
| 2032 | 3,645,705 | 9,032,636 | 1,000,000 | 13,678,341 | 5.75% | 25,407,385 |
| 2033 | 3,773,305 | 9,691,541 | 1,000,000 | 14,464,846 | 5.75% | 18,172,080 |
| 2034 | 3,905,371 | 10,261,603 | 1,000,000 | 15,166,974 | 4.85% | 9,704,605 |
| 2035 | 4,042,058 | - | 1,000,000 | 5,042,058 | -66.76% | - |
| 2036 | 4,183,530 | - | 1,000,000 | 5,183,530 | 2.81% | - |
| 2037 | 4,329,953 | - | 1,000,000 | 5,329,953 | 2.82% | - |
| 2038 | 4,481,501 | - | 1,000,000 | 5,481,501 | 2.84% | - |
| 2039 | 4,638,353 | - | 1,000,000 | 5,638,353 | 2.86% | - |
| 2040 | 4,800,696 | - | 1,000,000 | 5,800,696 | 2.88% | - |
| 2041 | 4,968,720 | - | 1,000,000 | 5,968,720 | 2.90% | - |
| 2042 | 5,142,626 | - | 1,000,000 | 6,142,626 | 2.91% | - |
| 2043 | 5,322,618 | - | 1,000,000 | 6,322,618 | 2.93% | - |
| 2044 | 5,508,910 | - | 1,000,000 | 6,508,910 | 2.95% | - |
| 2045 | 5,701,721 | - | 1,000,000 | 6,701,721 | 2.96% | - |
| 2046 | 5,901,282 | - | 1,000,000 | 6,901,282 | 2.98% | - |
| 2047 | 6,107,826 | - | 1,000,000 | 7,107,826 | 2.99% | - |
| 2048 | 6,321,599 | - | 1,000,000 | 7,321,599 | 3.01% | - |
| 2049 | 6,542,855 | - | 1,000,000 | 7,542,855 | 3.02% | - |
| 2050 | 6,771,855 | - | 1,000,000 | 7,771,855 | 3.04% | - |